

IRS News Release

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IRS Plans Feb. 3 Start Date for Processing Extender Claims

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WASHINGTON — The Internal Revenue Service plans a Feb. 3 start date for processing tax returns that claim key tax provisions enacted in December.

The IRS announced today that it will begin processing both e-file and paper tax returns on Feb. 3 that include claims for the major “extender” provisions, including deductions for state and local sales taxes, higher education tuition and fees, and educator expenses. Any other tax returns for individuals that do not claim the extender provision can be filed as normal this month.

The Feb. 3 date allows the IRS enough time to update its systems to accommodate the tax law changes without disrupting other operations tied to the tax filing season.

“The vast majority of taxpayers will not be affected by these changes, and they will not notice any difference as they start filing tax returns this month,” IRS Commissioner Mark W. Everson said. “The IRS urges people claiming the extender deductions to file electronically to reduce the chance of making an error.”

Based on filings last year, about 930,000 tax returns claimed any of the three main extender provisions by Feb. 1. Overall, the IRS expects to process about 136 million individual tax returns this year.

The IRS is taking a number of steps to help taxpayers get the information they need to take advantage of the extended deductions and tax law provisions enacted after IRS forms went to print.

Taxpayers can visit IRS.gov for updated information on the late legislation. Publication 600, State and Local General Sales Tax, is posted on IRS.gov. This month, the IRS is also conducting a special mailing of Publication 600, which will include the state and local sales tax tables and instructions for claiming the sales tax deduction on Schedule A (Form 1040), to 6 million taxpayers who have received the 2006 Form 1040 package in the mail.

The IRS reminded taxpayers that both paper and electronic returns will not be processed if submitted before Feb. 3. Tax returns filed on paper will be accepted but will not be processed until after IRS processing systems are updated on Feb. 3.

The IRS emphasized that using IRS e-file is the most accurate to file any return and the quickest

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way for taxpayers to receive their refunds. Tax software will be updated so taxpayers can easily claim the extender provisions.

“As we always do, we encourage taxpayers who think they may claim these deductions to file electronically,” Everson said. “They will get their refunds faster through e-file. Even more importantly, e-file will greatly reduce the chances for making an error compared to claiming the deductions on the paper 1040.”

For people using a paper 1040, several special steps must be taken. Taxpayers must use existing lines on the current Form 1040 and other tax documents to claim the three major extenders provisions. The key forms (Forms 1040, 1040A, Schedule A&B, and instructions) went to print in early November and reflected the law in effect at that time. The instructions contain a cautionary note to taxpayers that the legislation was pending at the time of printing.

People using a paper 1040 and claiming the key extender provisions should follow these steps:

State and Local General Sales Tax Deduction:

- The deduction for state and local general sales taxes will be claimed on Schedule A (Form 1040), line 5, “State and local income taxes.” Enter “ST” on the dotted line to the left of line 5 to indicate you are claiming the general sales tax deduction instead of the deduction for state and local income tax.
- The IRS also issued Publication 600 for 2006, which includes the state and local sales tax tables, a worksheet and instructions for figuring the deduction.
- This option is available to all taxpayers regardless of where they live, though it’s primarily designed to benefit residents of states with either minimal or no state and local income taxes.

Higher Education Tuition and Fees Deduction:

- Taxpayers must file Form 1040 to take this deduction for up to \$4,000 of tuition and fees paid to a post-secondary institution. It cannot be claimed on Form 1040A.
- The deduction for tuition and fees will be claimed on Form 1040, line 35, “Domestic production activities deduction.” Enter “T” on the blank space to the left of that line entry if claiming the tuition and fees deduction, or “B” if claiming both a deduction for domestic production activities and the deduction for tuition and fees. For those entering “B,” taxpayers must attach a breakdown showing the amounts claimed for each deduction.

Educator Expense Adjustment to Income:

- Educators must file Form 1040 in order to take the deduction for up to \$250 of out-of-pocket classroom expenses. It cannot be claimed on Form 1040A.

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- The deduction for educator expenses will be claimed on Form 1040, line 23, "Archer MSA Deduction." Enter "E" on the dotted line to the left of that line entry if claiming educator expenses, or "B" if claiming both an Archer MSA deduction and the deduction for educator expenses on Form 1040. If entering "B," taxpayers must attach a breakdown showing the amounts claimed for each deduction.